ANNUAL REPORT

STRAWBRIDGE & CLOTHIER

FISCAL YEAR 1954

ended January 31, 1955

Board of Directors

ROBERT E. STRAWBRIDGE, *Chairman*

FREDERIC H. STRAWBRIDGE
ISAAC H. CLOTHIER, JR.
FRANCIS R. STRAWBRIDGE
J. CLAYTON STRAWBRIDGE
DWIGHT G. PERKINS
DONALD C. MILLS
ISAAC H. CLOTHIER, 3RD
FRANCIS R. STRAWBRIDGE, JR.
G. STOCKTON STRAWBRIDGE
ROBERT E. STRAWBRIDGE, JR.
RANDALL E. COPELAND
FRANK R. VEALE

Officers

ROBERT E. STRAWBRIDGE ..... *Chairman of the Board*
DWIGHT G. PERKINS ..... *Vice-Chairman and President*
G. STOCKTON STRAWBRIDGE ..... *Executive Vice-President*
ISAAC H. CLOTHIER, JR. ..... *Vice-President*
J. CLAYTON STRAWBRIDGE ..... *Vice-President and Secretary*
ISAAC H. CLOTHIER, 3RD ..... *Vice-President*
FRANCIS R. STRAWBRIDGE, JR. *Vice-President and Ass't Secretary*
DONALD C. MILLS ..... *Treasurer*
THOMAS G. PATTON ..... *Assistant Treasurer*

Transfer Agents and Registrars

GIRARD TRUST CORN EXCHANGE BANK, Philadelphia, Pa.

TRANSFER AGENT *for the $5 Cumulative Preferred Stock and*
REGISTRAR *for the Common Stock*

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THE PENNSYLVANIA COMPANY FOR BANKING AND TRUSTS, Philadelphia, Pa.

TRANSFER AGENT *for the Common Stock and*
REGISTRAR *for the $5 Cumulative Preferred Stock*

To Our Shareholders:

This Annual Report of the activities of your Company's 87th year in business is respectfully submitted by the Board of Directors. The report includes a Summary of Income for the year, Statement of Financial Condition and Statement of Stockholders' Investment at January 31, 1955.

Operations and Earnings

The re-building program at our Jenkintown Store with its attendant departmental relocation and space problems, retarded volume during practically the entire year. Also during the first half of the year our total volume of sales was adversely affected by a moderate decline in the general level of industrial activity in the Philadelphia area. The second half of the year brought a reversal of the downward trend and as a result, sales volume for the year was approximately equal to that of 1953.

Effective control of operating expenses contributed substantially to our net earnings of $2,443,717 for the year compared to $2,217,726 in 1953, an increase of about 10%. Valuation of our merchandise inventories on the approved "Lifo" basis had the effect of increasing earnings before taxes for the year by $155,619, due to slightly lower price indexes, compared to an increase of $34,055 the previous year.

Earnings per share of Common Stock amounted to $2.93 compared with $2.60 the previous year, both amounts calculated on the number of shares outstanding at January 31, 1955. The number of shares outstanding at January 31, 1955 included a 5% stock dividend amounting to 33,201 shares issued March 25, 1954.

Comparison of the current year's operating results and the disposition thereof, with the previous year follows:

	1954	1953	Increase Decrease*
Income before "Lifo" adjustment and taxes	$4,846,798	$4,766,671	$ 80,127
"Lifo" adjustment—decrease*	155,619*	34,055*	121,564
Income before taxes	5,002,417	4,800,726	201,691
Taxes on income	2,558,700	2,583,000	24,300*
Net Earnings	2,443,717	2,217,726	225,991
Cash Dividends on Preferred Stock	401,151	406,176	5,025*
Cash Dividends on Common Stock	697,029	663,892	33,137
5% Stock Dividend on Common Stock	33,201 shares	31,619 shares	
Earnings retained for use in the business	1,345,537	1,147,658	197,879

Financial Condition

The sound financial condition of your Company has been maintained as is indicated in the following comparative statistics:

	January 31, 1955	January 31, 1954	Increase Decrease*
Current Assets	$28,012,104	$26,233,838	$1,778,266
Current Liabilities	8,689,734	8,592,691	97,043
Ratio Current Assets to Current Liabilities	3.22 to 1	3.05 to 1	
Working Capital	19,322,370	17,641,147	1,681,223
Long-term Indebtedness	4,800,000	3,433,992	1,366,008
Preferred Stock	7,878,700	8,060,400	181,700*
Common Stock Equity	26,409,538	25,072,756	1,336,782
Book Value per Share of Common Stock on basis of outstanding shares at January 31, 1955	37.88	35.96	1.92

Working capital at January 31, 1955 was $19,322,370, an all time high and the ratio of current assets to current liabilities was 3.22 to 1.

Quarterly dividends of $1.25 were paid on the $5 Cumulative Preferred Stock. Quarterly dividends of 25 cents were paid on the Common Stock and in addition a stock dividend of 5% totaling 33,201 shares was paid on March 25, 1954.

The required sinking fund provision on the $5 Cumulative Preferred Stock was complied with.

At January 31, 1955 the Company had taken down $4,800,000 of the $6,000,000 loan negotiated in October 1953 with the Penn Mutual Life Insurance Company and the Philadelphia National Bank. Proceeds of the loan have been used in the expansion of our Jenkintown Store, payment of the balance of the previous long-term loan and for working capital. The time for taking down the balance of the loan was extended by mutual agreement from December 1, 1954 to December 1, 1955 and the start of principal payments was, therefore, postponed until March 1, 1956.

Improvements

The modernization and expansion of our Jenkintown Store is now complete. It is the largest of our branch stores and we believe the finest branch store in the Philadelphia area. Since its completion, sales progress indicates that the capital expenditure for this improvement was completely justified.

The modernization of our Men's Store at Ardmore was only recently completed. Without question it is the outstanding men's specialty store in suburban Philadelphia. Here again our sales progress since its completion amply justifies the additional investment.

We believe our Shareholders will be interested in visiting these substantially new Strawbridge & Clothier units.

Final completion of the Merchandise Mart, in which our Wilmington Store is located, was accomplished in late fall 1954. It is now a complete shopping center and as such is generating additional customer traffic which is having a favorable effect on our sales volume.

Surveys conducted over several years have convinced us that a branch store in nearby New Jersey would be a profitable expansion for Strawbridge & Clothier. As a result, we are actively negotiating for a branch store that will be the major unit of a large shopping center being planned at Cherry Hill, near Haddonfield, New Jersey.

In last year's report, it was stated that in 1955, we expected work to be started on improvements to our Filbert Street Service Buildings. Subsequently, as a result of developments in the major expansion projects mentioned above, the matter was reconsidered and the study of the Service Building expansion is being continued to consider possible changes in the need for future service facilities.

General

At the Annual Stockholders' Meeting held on April 21, 1954, Mr. Randall E. Copeland, our General Superintendent, and Mr. Frank R. Veale, our Sales Promotion Manager, were elected Directors of the Company.

In these times it is difficult to determine just what lies ahead. The outlook for increased purchasing power for the coming year is encouraging. On the other hand, branch stores recently completed or now being constructed for other retail organizations, will intensify competition in the Philadelphia suburban areas. However, we have complete confidence in the ability of our organization to meet successfully competitive conditions in the coming year.

The Board of Directors joins me in expressing our sincere appreciation to our Store Family whose loyal efforts and cooperation have made possible another successful year.

For the Board of Directors

Dwight G Perkins

President.

April 8, 1955

Summary of Income

STRAWBRIDGE & CLOTHIER

	Year Ended	
	January 31, 1955	*January 31, 1954*
Income before deducting interest, depreciation, and provision for income taxes	$ 5,985,748	$ 5,689,597
Deduct:		
Interest	192,586	120,502
Depreciation and amortization	790,745	768,369
	$ 983,331	$ 888,871
INCOME BEFORE TAXES ON INCOME	$ 5,002,417	$ 4,800,726
Taxes on income:		
Provision for the year—estimated:		
Federal normal tax and surtax	2,150,000	2,262,000
State income tax	164,700	215,000
Income taxes on installment sales gross profit (deferred for tax purposes)	244,000	106,000
	$ 2,558,700	$ 2,583,000
NET EARNINGS	$ 2,443,717	$ 2,217,726

See accompanying Notes to Financial Statements

STRAWBRIDG

ASSETS	*January 31, 1955*	*January 31, 1954*
CURRENT ASSETS		
Cash	$ 2,769,166	$ 2,326,930
Accounts receivable:		
Customers:		
Charge accounts	11,373,606	11,652,926
Installment accounts	5,604,348	4,311,394
Suppliers	339,603	324,993
	$17,317,557	$16,289,313
Less allowance for loss	425,000	425,000
	$16,892,557	$15,864,313
Merchandise inventories (Note A)	8,350,381	8,042,595
TOTAL CURRENT ASSETS	$28,012,104	$26,233,838
OTHER ASSETS		
Cash reserved for property expansion	0	1,600,000
Miscellaneous accounts receivable and advances	70,222	74,886
Sundry investments—at cost	226,191	224,991
	$ 296,413	$ 1,899,877
Less allowance for loss	25,000	25,000
	$ 271,413	$ 1,874,877
PROPERTY, FIXTURES, AND EQUIPMENT—At cost		
Land, buildings, and equipment	31,774,589	27,599,879
Less allowance for depreciation	11,738,433	10,966,587
	$20,036,156	$16,633,292
Construction in process	0	781,189
	$20,036,156	$17,414,481
DEFERRED CHARGES		
Prepaid expenses	370,528	282,882
Supply inventories	247,771	219,761
	$ 618,299	$ 502,643
TOTAL ASSETS	$48,937,972	$46,025,839

See accompanying Notes

LIABILITIES AND STOCKHOLDERS' INVESTMENT	*January 31, 1955*	*January 31, 1954*
Current Liabilities		
Term note installments maturing within one year	$ 0	$ 501,773
Accounts payable	4,376,099	3,780,942
Accrued accounts	1,136,231	966,568
Pay roll taxes and taxes withheld from employees	227,780	211,348
Federal, state, and local taxes—estimated	2,731,896	2,937,198
Deposits on U. S. Savings Bond subscriptions	43,449	28,862
Dividends payable	174,279	166,000
TOTAL CURRENT LIABILITIES	$ 8,689,734	$ 8,592,691
Term Notes Payable (Note B)		
To banks—amounts due after one year	0	1,033,992
To banks and insurance company—due in periodic installments beginning March 1, 1956	4,800,000	2,400,000
	$ 4,800,000	$ 3,433,992
Reserves		
For income taxes on installment sale gross profit (deferred for tax purposes)—estimated	1,035,000	791,000
For deferred compensation and contingencies	125,000	75,000
	$ 1,160,000	$ 866,000
TOTAL LIABILITIES	$14,649,734	$12,892,683
Stockholders' Investment		
Capital stock:		
$5.00 Cumulative Preferred Stock, par value $100.00 per share, redeemable at $105.00 per share—at January 31, 1955, authorized 87,147 shares; outstanding 78,787 shares, after deducting 1,859 shares in treasury (outstanding at January 31, 1954, 80,604 shares) (Note C)	7,878,700	8,060,400
Common Stock, par value $5.00 per share—authorized 1,000,000 shares; outstanding 697,202 shares (outstanding at January 31, 1954, 664,001 shares) (Note D)	3,486,010	3,320,005
Capital in addition to par value of shares	2,774,768	2,219,106
Earnings retained for use in the business	20,148,760	19,533,645
TOTAL STOCKHOLDERS' INVESTMENT	$34,288,238	$33,133,156
	$48,937,972	$46,025,839

Long-Term Lease Commitments (Note E)

to Financial Statements

Statement of Stockholders' Investment

STRAWBRIDGE & CLOTHIER

	Year Ended	
	January 31, 1955	*January 31, 1954*
CAPITAL STOCK		
Preferred Stock:		
Balance at beginning of year	$ 8,060,400	$ 8,220,700
Less shares acquired during year	181,700	160,300
	$ 7,878,700	$ 8,060,400
Common Stock:		
Balance at beginning of year	$ 3,320,005	$ 3,161,910
Stock dividend	166,005	158,095
	$ 3,486,010	$ 3,320,005
CAPITAL IN ADDITION TO PAR VALUE OF SHARES		
Balance at beginning of year	$ 2,219,106	$ 1,715,738
Excess of amount charged against earnings retained for use in the business over the par value of Common Stock issued as stock dividend	564,417	505,904
	$ 2,783,523	$ 2,221,642
Deduct premium paid on acquisition of $5.00 Cumulative Preferred Stock for treasury	8,755	2,536
	$ 2,774,768	$ 2,219,106
EARNINGS RETAINED FOR USE IN THE BUSINESS		
Balance at beginning of year	$19,533,645	$19,049,986
Add net earnings for the year	2,443,717	2,217,726
	$21,977,362	$21,267,712
Deduct:		
Cash dividends on Preferred Stock ($5.00 per share)	401,151	406,176
Cash dividends on Common Stock ($1.00 per share)	697,029	663,892
Stock dividends declared February 24, 1954, and February 18, 1953 (one share of Common Stock for each twenty shares outstanding):		
Paid March 25, 1954—33,201 shares on the basis of $22.00 per share; paid March 19, 1953—31,619 shares on the basis of $21.00 per share	730,422	663,999
	$ 1,828,602	$ 1,734,067
EARNINGS RETAINED FOR USE IN THE BUSINESS	$20,148,760	$19,533,645
TOTAL STOCKHOLDERS' INVESTMENT	$34,288,238	$33,133,156

See accompanying Notes to Financial Statements

Notes to Financial Statements

STRAWBRIDGE & CLOTHIER

NOTE A—Inventories of merchandise on hand and in transit are priced at cost on the last-in, first-out basis, determined under principles and by the use of published indices of price changes approved by the Commissioner of Internal Revenue with respect to department stores generally. Such basis of pricing resulted in aggregate amounts for inventories at January 31, 1955, and January 31, 1954, approximately $1,929,000 and $2,085,000, respectively, less than the amounts which would have been determined under the retail inventory method applied without regard to last-in, first-out principles.

NOTE B—At January 31, 1955, the Company had borrowed under a long-term loan agreement $4,800,000 of a total available credit of $6,000,000. The balance of the credit is available to the Company not later than December 1, 1955. The amount of the loan at December 1, 1955, will be payable in quarterly and semi-annual installments, beginning March 1, 1956, over a period of fourteen years. This loan agreement provides, among other things, that while the note remains unpaid the Company will maintain minimum working capital of $10,000,000, and that the aggregate after January 31, 1953, of payments of dividends (other than dividends paid in capital stock of the Company) and purchases of capital stock will not exceed the sum of $4,000,000 plus the amount of earnings accumulated after January 31, 1953.

NOTE C—Sinking fund provisions of the $5.00 Cumulative Preferred Stock require that on April 1st of each year the Company shall redeem shares of such class of stock in an amount of par value equal to two per cent of the greatest amount at any time outstanding after February 1, 1948, and prior to the date of such redemption. In compliance with such provisions, 1,800 shares of the $5.00 Cumulative Preferred Stock were retired on April 1, 1954.

Dividends on the $5.00 Cumulative Preferred Stock have been paid to January 3, 1955, a dividend date.

NOTE D—On February 16, 1955, the Board of Directors declared a dividend on Common Stock, payable in shares of Common Stock at the rate of one dividend share for each 20 shares outstanding. The dividend shares, 34,861 in number (including scrip for fractional shares), were issued on March 25, 1955. In connection with this dividend the Board of Directors authorized transfers from Earnings Retained for Use in the Business to (a) Capital Stock, the sum of $5.00 (par value) for each dividend share and (b) to Capital in Addition to Par Value of Shares, the sum of $19.00 for each dividend share.

NOTE E—At January 31, 1955, the Company was lessee under four leases on store properties with terms, if renewal options are exercised, of not less than twenty-five years from the above date in each case. The annual rentals under these leases are conditional upon sales and the present aggregate minimum rentals are $329,000 per annum.

ERNST & ERNST
PHILADELPHIA

To the Shareholders of
Strawbridge & Clothier

We have examined the statement of financial condition of Strawbridge & Clothier as of January 31, 1955, and the related statements of income and expense, and stockholders' investment for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We made a similar examination and report for the year ended January 31, 1954.

In our opinion, the accompanying statement of financial condition and related summary of income and statement of stockholders' investment present fairly the financial position of Strawbridge & Clothier at January 31, 1955, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Ernst & Ernst
Certified Public Accountants

Philadelphia, Pa.
March 25, 1955

To the Shareholders

The financial statements contained in this report are correct to the best of my knowledge and belief.

Donald C. Mills

Treasurer
Strawbridge & Clothier

April 8, 1955

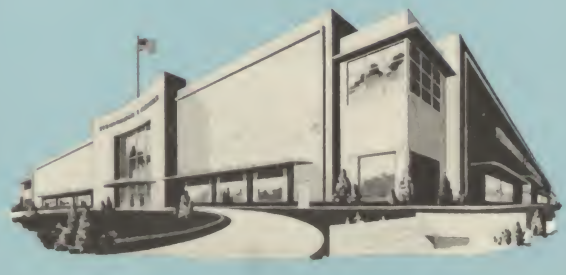
PHILADELPHIA

STRAWBRIDGE & CLOTHIER

ARDMORE

BUILDERS OF
CONFIDENCE
SINCE 1868

JENKINTOWN



WILMINGTON